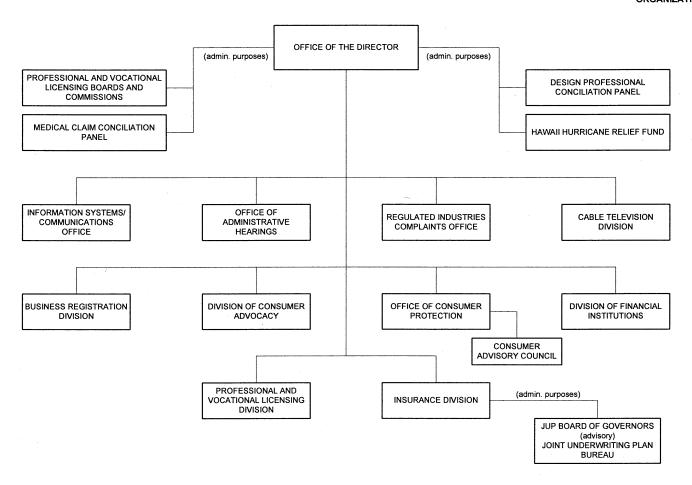


STATE OF HAWAII DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ORGANIZATION CHART



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS Department Summary

Mission Statement

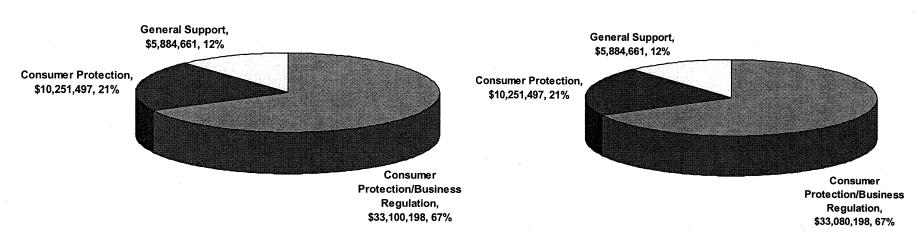
To fairly regulate business, while ensuring consumer protection in commercial transactions in Hawaii.

Department Goals

To develop, promote, and implement rational business regulation; to consider the public interest and increase the opportunity for public involvement in the regulatory process; and to ensure fairness in the conduct of administrative hearings that address decisions made by department regulators.

Significant Measures of Effectiveness	FY 2010	FY 2011
1. Percentage of complaints resolved within 90 days	95	95
2. Percentage of new licenses issued within 10-12 business days	95	95
3. Number of businesses directly affected by investigations	2000	2000

FB 2009-2011 Operating Budget by Major Program Area FY 2010 FY 2011



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS MAJOR FUNCTIONS

- Develops standards relating to the licensing of and general supervision over the conduct of the financial services industry, professions, businesses, trades, and insurance companies.
- Grants or denies the issuance of professional, business and trade licenses; directs investigations, holds hearings, and suspends, revokes or reinstates licenses; makes, amends or repeals such rules and regulations deemed necessary to fully effectuate the provisions of the laws within the Department's scope and jurisdiction.
- Represents, protects, and advances the interest of consumers of utility services; conducts investigations; assists and cooperates with Federal, State, and local agencies to protect the consumer's interests in the public utilities fields.

- Coordinates consumer protection activities in the State; conducts investigations, research, and enforces laws, rules, and regulations in the area of consumer protection; provides consumer education services and programs.
- Administers the laws of the State relating to corporations; partnerships; sales of securities; registration of trademarks, tradenames, prints and labels; miscellaneous business registrations; financial services industry; the insurance industry; and provides advice on business formation.
- Ensures that subscribers are provided with cable communication services which meet acceptable standards of quality, dependability, and fair rates; establishes technical standards of performances; maintains surveillance over filed rates, charges, terms, and conditions of services; and monitors the operations and management of cable television operators.

MAJOR PROGRAM AREAS

The Department of Commerce and Consumer Affairs has programs in the following major program areas:

Individual	Rights	Consumer Pr	rotection
Consumer P	rotection/Business Regulation	CCA 103	Consumer Advocate for Communication,
CCA 102	Cable Television		Utilities, and Transportation Services
CCA 104	Financial Institution Services	CCA 110	Office of Consumer Protection
CCA 105	Professional and Vocational Licensing	CCA 112	Regulated Industries Complaints Office
CCA 106	Insurance Regulatory Services	General Sup	<u>port</u>
CCA 111	Business Registration and Securities Regulation	CCA 191	General Support

Department of Commerce and Consumer Affairs (Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	396.00	398.00	398.00
Special Funds	\$	46,293,716	46,844,520	46,844,520
		5.00	8.00	8.00
Trust Funds	· ·	2,330,875	2,391,836	2,371,836
		401.00	406.00	406.00
Total Requirements		48,624,591	49,236,356	49,216,356

Major Adjustments in the Executive Budget Request: (general funds unless noted)

- 1. Adds \$527,898 in special funds and \$36,205 in trust funds for various divisions' fringe benefits increases.
- 2. Transfers 1.00 temporary special fund position and 1.00 permanent special fund position from the Business Registration Division to Regulated Industries Complaints Office and increases the special fund ceiling by \$76,012 for personal services costs.
- 3. Converts 5.00 temporary special fund positions to 5.00 permanent special fund positions in the Professional and Vocational Licensing Division.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID:

PROGRAM STRUCTURE NO.

PROGRAM TITLE:

DEPARTMENT OF COMMERCE AND CONSUMER AFFA

		THOUSANDS						
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	397.00*	401.00*	406.00*	406.00*	406.0*	406.0*	406.0*	406.0*
PERSONAL SERVICES	25,812,355	32,068,799	33,413,173	33,413,173	33,414	33,414	33,414	33,414
OTHER CURRENT EXPENSES EQUIPMENT	11,291,229 314,313	16,249,697 306,095	15,823,183	15,803,183	15,804	15,804	15,804	15,804
TOTAL OPERATING COST	37,417,897	48,624,591	49,236,356	49,216,356	49,218	49,218	49,218	49,218
BY MEANS OF FINANCING								
	392.00*	396.00*	398.00*	398.00*	398.0*	398.0*	398.0*	398.0*
SPECIAL FUND	36,188,038	46,293,716	46,844,520	46,844,520	46,846	46,846	46,846	46,846
	5.00*	5.00*	8.00*	8.00*	8.0*	8.0*	8.0*	8.0*
TRUST FUNDS	1,229,859	2,330,875	2,391,836	2,371,836	2,372	2,372	2,372	2,372
TOTAL POSITIONS	397.00*	401.00*	406.00*	406.00*	406.00*	406.00*	406.00*	406.00*
TOTAL PROGRAM COST	37,417,897	48,624,591	49,236,356	49,216,356	49,218	49,218	49,218	49,218

Department of Commerce and Consumer Affairs (Capital Improvements Budget)

	FY 2010	FY 2011
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
Total Requirements	0	0

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

STATE OF HAWAII

PROGRAM ID

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT IN THOUSANDS OF DOLLARS

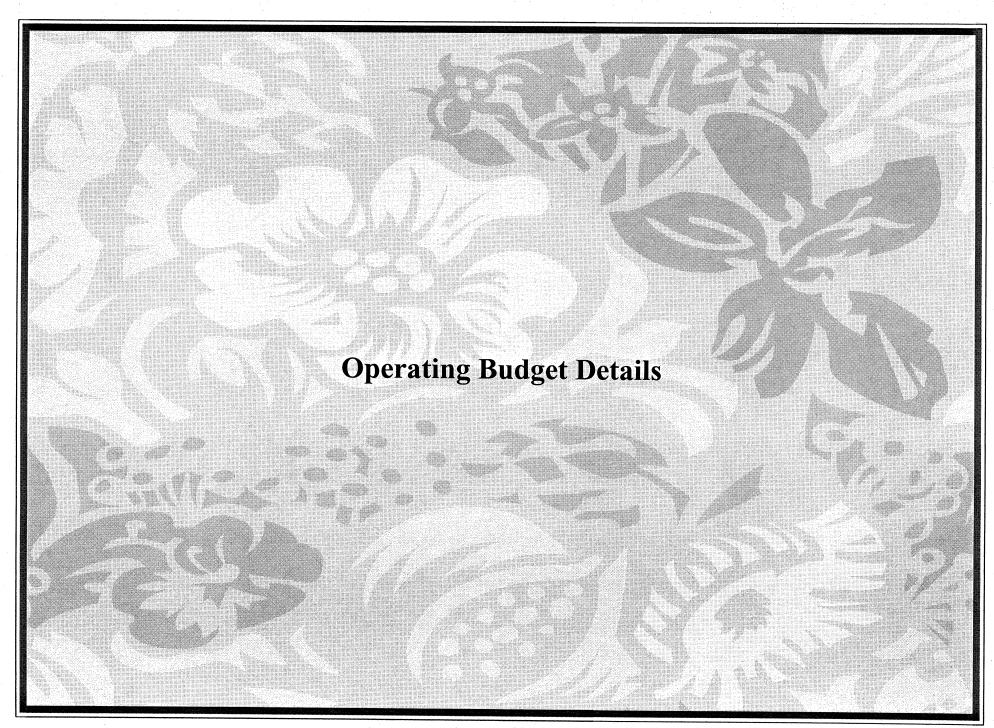
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PROGRAM STRUCTURE NO.

PROGRAM TITLE

DEPARTMENT OF COMMERCE AND CONSUMER AFFA

PROJECT PRIORITY NUMBER NUMBER		PROJECT TITLE				BUDGET P	PERIOD					
	COST ELEMENT/MOF	PROJECT TOTAL	PRIOR YRS	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	SUCCEED YEARS
	LAND	3,000	3,000									
	DESIGN	2,001	2,001									
	CONSTRUCTION	28,001	28,001									
	EQUIPMENT	1,998	1,998									
	TOTAL	35,000	35,000									
	G.O. BONDS	35,000	35,000					-				



PROGRAM ID:

PROGRAM STRUCTURE NO. 10

PROGRAM TITLE:

INDIVIDUAL RIGHTS

	IN DOLLA	RS	IN THOUSANDS				
FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
397.00*	401.00*	406.00*	406.00*	406.0*	406.0*	406.0*	406.0*
25,812,355	32,068,799	33,413,173	33,413,173	33,414	33.414	33.414	33,414
11,291,229 314,313	16,249,697 306,095	15,823,183	15,803,183	15,804	15,804	15,804	15,804
37,417,897	48,624,591	49,236,356	49,216,356	49,218	49,218	49,218	49,218
			•				
392.00*	396.00*	398.00*	398.00*	398.0*	398.0*	398.0*	398.0*
36,188,038	46,293,716	46,844,520	46.844.520				46.846
5.00*	5.00*	8.00*	8.00*		•		8.0*
1,229,859	2,330,875	2,391,836	2,371,836	2,372	2,372	2,372	2,372
397.00*	401 . 00*	406 00*	406 00*	406 00 *	406 00*	406 00*	406.00*
37,417,897	48,624,591	49,236,356	49,216,356	49,218	49,218	49,218	49,218
	397.00* 25,812,355 11,291,229 314,313 37,417,897 392.00* 36,188,038 5.00* 1,229,859	FY2007-08 FY2008-09 397.00* 401.00* 25,812,355 32,068,799 11,291,229 16,249,697 314,313 306,095 37,417,897 48,624,591 392.00* 36,188,038 46,293,716 5.00* 1,229,859 2,330,875	FY2007-08 FY2008-09 FY2009-10 397.00* 401.00* 406.00* 25,812,355 32,068,799 33,413,173 11,291,229 16,249,697 15,823,183 314,313 306,095 37,417,897 48,624,591 49,236,356 392.00* 396.00* 398.00* 36,188,038 46,293,716 46,844,520 5.00* 5.00* 8.00* 1,229,859 2,330,875 2,391,836	FY2007-08 FY2008-09 FY2009-10 FY2010-11 397.00* 401.00* 406.00* 406.00* 25,812,355 32,068,799 33,413,173 33,413,173 11,291,229 16,249,697 15,823,183 15,803,183 314,313 306,095 37,417,897 48,624,591 49,236,356 49,216,356 392.00* 396.00* 398.00* 398.00* 398.00* 36,188,038 46,293,716 46,844,520 46,844,520 46,844,520 5.00* 5.00* 8.00* 8.00* 1,229,859 2,330,875 2,391,836 2,371,836 397.00* 401.00* 406.00* 406.00*	FY2007-08 FY2008-09 FY2009-10 FY2010-11 FY2011-12 397.00* 401.00* 406.00* 406.00* 406.00* 25,812,355 32,068,799 33,413,173 33,413,173 33,414 11,291,229 16,249,697 15,823,183 15,803,183 15,804 314,313 306,095 37,417,897 48,624,591 49,236,356 49,216,356 49,218 392.00* 396.00* 398.00* 398.00* 398.0* 36,188,038 46,293,716 46,844,520 46,844,520 46,846 5.00* 5.00* 8.00* 8.00* 8.0* 1,229,859 2,330,875 2,391,836 2,371,836 2,372 397.00* 401.00* 406.00* 406.00* 406.00*	FY2007-08 FY2008-09 FY2009-10 FY2010-11 FY2011-12 FY2012-13 397.00* 401.00* 406.00* 406.00* 406.0* 406.0* 406.0* 25,812,355 32,068,799 33,413,173 33,414 33,414 33,414 11,291,229 16,249,697 15,823,183 15,803,183 15,804 15,804 314,313 306,095 49,216,356 49,218 49,218 37,417,897 48,624,591 49,236,356 49,216,356 49,218 49,218 36,188,038 46,293,716 46,844,520 46,844,520 46,846 46,846 5.00* 5.00* 8.00* 8.00* 8.0* 8.0* 8.0* 1,229,859 2,330,875 2,391,836 2,371,836 2,372 2,372 2,372 397.00* 401.00* 406.00* 406.00* 406.00* 406.00* 406.00*	FY2007-08 FY2008-09 FY2009-10 FY2010-11 FY2011-12 FY2012-13 FY2013-14 397.00* 401.00* 406.00* 406.00* 406.0*

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PROGRAM ID:

CCA102

PROGRAM STRUCTURE NO. 10010301

PROGRAM TITLE:

CABLE TELEVISION

		IN DOLLARS				IN THOUSANDS			
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15	
OPERATING COST	4.00*	4.00*	4.00*	4.00*	4.0*	4.0*	4.0*	4.0	
PERSONAL SERVICES	379,486	408,206	430,175	430.175	430	430	430	430	
OTHER CURRENT EXPENSES EQUIPMENT	755,141 7,556	856,362	856,362	856,362	857	857	857	857	
TOTAL OPERATING COST	1,142,183	1,264,568	1,286,537	1,286,537	1,287	1,287	1,287	1,287	
BY MEANS OF FINANCING									
	4.00*	4.00*	4.00*	4.00*	4.0*	4.0*	4.0*	4.0	
SPECIAL FUND	1,142,183	1,264,568	1,286,537	1,286,537	1,287	1,287	1,287	1,287	
TOTAL POSITIONS	4.00*	4.00*	4.00*	4.00*	4.00*	4.00*	4.00*	4.00%	
TOTAL PROGRAM COST	1,142,183	1,264,568	1,286,537	1,286,537	1,287	1,287	1,287	1,287	

PROGRAM ID: CCA102
PROGRAM STRUCTURE: 10010301
PROGRAM TITLE: CABLE TELEVISION

	FY							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. % HOMES WHERE CABLE TV SERVICE AVAILABLE IN STATE 2. %COMPL BY CABLE TV COM SYS W/STATE & REG RPTG REQS 3. % COMPLAINTS ADDRESSED WITHIN 30 DAYS	99	99	99	99	99	99	99	99
	99	99	99	99	99	99	99	99
	99	99	99	99	99	99	99	99
PROGRAM TARGET GROUPS 1. HAWAII HOUSEHOLDS (000) 2. HAWAII BUSINESSES (000) 3. CABLE TELEVISION SUBSCRIBERS (000) 4. CABLE TELEVISION COMPANIES 5. PEG ACCESS ORGANIZATIONS	425	425	430	430	430	430	430	430
	31	31	31	31	32	32	32	32
	397	414	415	415	415	415	415	415
	2	2	2	2	2	2	2	2
	4	4	4	4	4	4	4	4
PROGRAM ACTIVITIES 1. #POL & STDS PROCEEDINGS FOR CABLE COM SVCS (CCS) 2. #OF CATV APPLICATIONS REVIEWED BY CATV 3. #INSP, INVSTGN, COMPL REVIEWS BEGUN/ENDED BY CATV 4. #TESTMNS REL TO CABLE COM TO LEG, CONG, GOVT AGEN 5. #MTGS ON DEV, CONST, USE OF FACIL REL TO CCS 6. #OF COMPLAINTS AND INQUIRIES RECEIVED 7. #RATE FILINGS RECEIVED AND EXAMINED BY CATV 8. #OF INET PROJ REQUESTS RECEIVED/PROCESSED 9. #OF PEG ACCESS RELATED ACTIVITIES	2	2	2	2	2	2	2	2
	1	1	1	1	1	1	1	1
	12	13	13	13	13	13	13	13
	10	10	10	10	10	10	10	10
	4	4	4	4	4	4	4	4
	230	245	250	255	260	260	260	260
	8	8	8	8	8	8	8	8
	50	54	55	56	57	58	58	58
	260	280	280	280	290	300	300	300
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) LICENSES, PERMITS, AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY TOTAL PROGRAM REVENUES	145	1,734	1,800	1,800	1,900	1,900	1,900	1,900
	114	75	75	75	75	75	75	75
	259	1,809	1,875	1,875	1,975	1,975	1,975	1,975
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) SPECIAL FUNDS TOTAL PROGRAM REVENUES	259	1,809	1,875	1,875	1,975	1,975	1,975	1,97 <u>5</u>
	259	1,809	1,875	1,875	1,975	1,975	1,975	1,975

To foster the development of responsive and reliable cable television communications services for the people of Hawaii, by promoting the public interest in authorizations by the State regarding cable television franchises; regulate basic cable television rates and service to ensure compliance with applicable State and Federal law; expand and operate the Statewide Institutional Network ("INET"); and continue the availability of Public, Education and Government ("PEG") cable access.

B. Description of Request and Compliance with §37-68(1)(A)(B)

Program is requesting no adjustments to its base budget.

C. Description of Activities Performed

- 1. Franchising is the single most important tool by which the division can determine and build in requirements for quality services. This applies to new franchises, franchise renewals and transfers of franchises.
- 2. Technical inspections and reporting requirements are important means by which quality cable communications services can be assured. The program continues to enforce and monitor.
- 3. Long range planning can enhance the division's ability to identify new and improved services, future community needs and interests and enhancing technologies.
- 4. Support for PEG access promotes diversity of programming.

- 5. Monitoring complaint responses and complaint resolution ensures improved consumer service.
- 6. PEG contracts are to be procured pursuant to Chapter 103D, HRS.

D. Statement of Key Policies Pursued

- 1. To continue the policy of greater access to cable service to the extent possible in light of topography and economics.
- 2. To meet community needs and interests by encouraging the continued accessibility of local educational, governmental and public programming to all cable systems.
- 3. To promote a coordinated approach to planning the State's future cable communication infrastructure.
- 4. To use cable communications to bring Hawaii's geographically dispersed communities closer together, and to enrich Hawaii's diverse ethnic and cultural groups.
- 5. To encourage the cable industry to take a significant role in business development and job formation in Hawaii.

E. Identification of Important Program Relationships

1. In cable regulation, federal law and state law must be applied together. Communications and working relationships with the Federal Communications Commission and members of Congress will be developed and maintained.

- 2. Education and government institutions are important constituencies of cable regulation due to a federal law promoting access programming. Independent public producers continue to provide input to the division.
- 3. Consumers continue to have high priority in the cable regulatory program.
- 4. Cable operators are large multiple system operators.

F. Description of Major External Trends Affecting the Program

Rate regulation by the State has been limited to ensure compliance with Federal standards. The Cable Communications Policy Act of 1984, Television Consumer Protection and Competition Act of 1992 and the Telecommunications Act of 1996 continue to spawn much litigation and uncertainty in cable regulation and changes in the implementation of these laws. The Telecommunications Act of 1996 also allows cable operators to develop advanced informational services as well as entry into local telephone and telecommunications markets, and allows telecommunication providers to enter the cable market. These new services and market entrants will provide additional challenges to the Division. There is some developing competition by direct broadcast satellite providers.

G. Discussion of Cost, Effectiveness, and Program Size Data

There are no significant discrepancies between planned cost, effectiveness, and program size and those achieved.

H. Discussion of Program Revenue

Program revenue is derived from annual fees assessed to franchised cable operators.

I. Summary of Analysis Performed

There are no major or substantial changes to the program's objectives and activities.

J. Further Considerations

The State needs to retain flexibility due to rapid developments in both technology and the law. At the same time, it is in the public interest to closely coordinate all communications planning through specific programs that take advantage of what each technology has to offer.

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PROGRAM ID:

CCA103

PROGRAM STRUCTURE NO. 10010302
PROGRAM TITLE: CONSUMER ADVOCATE FOR COMM, UTIL & TRAN

PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	23.00*	23.00*	23.00*	23.00*	23.0*	23.0*	23.0*	23.0*
PERSONAL SERVICES	1,024,430	1,785,904	1,881,738	1,881,738	1,882	1,882	1,882	1,882
OTHER CURRENT EXPENSES	853,981	928,614	891,712	891,712	891	891	891	891
EQUIPMENT	438	20,000		garage Land				
TOTAL OPERATING COST	1,878,849	2,734,518	2,773,450	2,773,450	2,773	2,773	2,773	2,773
				i			******	= 11
BY MEANS OF FINANCING				1				
	23.00*	23.00*	23.00*	23.00*	23.0*	23.0*	23.0*	23.0*
SPECIAL FUND	1,878,849	2,734,518	2,773,450	2,773,450	2,773	2,773	2,773	2,773
TOTAL POSITIONS	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*
TOTAL PROGRAM COST	1,878,849	2,734,518	2,773,450	2,773,450	2.773	2,773	2,773	2,773
					========	=======================================		=========

PROGRAM ID: PROGRAM STRUCTURE: PROGRAM TITLE:

CCA103 10010302 CONSUMER ADVOCATE FOR COMMUNICATIONS, UTIL & TRANSPORTATION SVCS

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
MEASURES OF EFFECTIVENESS								
 AV% DEC ON UTIL & TRANP AGREE W/DIV RECOMMENDATNS CONS SAVINGS DUE TO PARTIC IN UTIL PROC (000'S) CONS SAV DUE TO PARTIC IN MOTOR CARR PROC (000'S) 	80 37167	80 623	80 10000	80 10000	80 10000	80 10000	80 10000	80 10000
4. CONS SAV DUE TO PARTIC IN WATER CARR PROC (000'S) 5. % PROCEDURAL DEADLINES MET 6. # PEOPLE REACHED THROUGH EDUC/OUTREACH EVENTS 7. # OF NEWSLETTERS/PUBLICATIONS DISTRIBUTED 8. # OF COMPLAINTS RESPONDED TO WITHIN 24 HOURS 9. % OF ALT ENERGY SOURCES USED BY ELECTRIC UTILITIES	100 3000 2000 24 14	100 3000 2000 24 16	100 100 2500 500 24 15	100 2500 500 24 16	100 100 2500 500 24 16	100 2500 500 24 16	100 100 2500 500 24 16	100 2500 500 24 16
PROGRAM TARGET GROUPS 1. DE FACTO POPULATION IN HAWAII (000'S) 2. # OF RESIDENTIAL ELECTRICAL METERS (000'S) 3. # OF NON-RESIDENTIAL USERS (000'S) 4. # OF ELECTRIC PUBLIC UTILITIES REGULATED BY PUC 5. # OF SUPPLIERS OF ELEC ENERGY TO ELEC PUB UTILS 6. # TELECOM COMMON CAR (FED & ST LIC) OPER IN HI 7. # PIPD GAS, WATR, WAST WATR PUB UTIL REG BY PUC 8. #PROP MOTOR CARRIERS HLDG CERT PUBLC CONV & NESSTY 9. # PASS CARRIERS HLDG CERT PUBLC CONV & NESSTY 10. # WATER CARRIERS REGULATED BY PUC	1406 409 66 4 22 180 38 588 627 4	1421 410 65 4 22 180 38 595 639 4	1435 405 67 4 24 215 41 450 600 4	1449 405 67 4 24 215 41 450 600	1464 405 67 4 24 215 41 450 600	1478 405 67 4 24 215 41 450 600	1493 405 67 4 24 215 41 450 600	1508 405 67 4 24 215 41 450 600 4
PROGRAM ACTIVITIES								
1. # OF UTILITY GENERAL RATE APPL REVIEWED BY DIV 2. #OF GEN TARIFF CHGS FILED BY MOTOR CARR REV BY DIV 3. #OF NON-RATE APPL BY UTIL COMP REV BY DIV 4. #OF INVST FOR QUAL SVC/OPER INTEG PARTIC IN BY DIV 5. #RULE-MKG PROC/GENERIC DCKTS PARTIC IN BY DIV 6. # OF EDUCATION/OUTREACH EVENTS ATTENDED 7. # OF NEWSLETTERS/PUBLICATIONS CREATED	9 193 84 2 10 5	5 36 26 2 12 1	5 100 140 1 10 4	5 100 140 1 10 4 4	5 100 140 1 10 4 4	5 100 140 1 10 4 4	5 100 140 1 10 4	5 100 140 1 10 4 4
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) REVENUES FROM THE USE OF MONEY AND PROPERTY NON-REVENUE RECEIPTS TOTAL PROGRAM REVENUES	186 2,904 3,090	85 2,904 2,989	85 2,706 2,791	85 2,706 2,791	85 2,706 2,791	85 2,706 2,791	85 2,706 2,791	85 2,706 2,791
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)	•	•	•	,	,	,	,	, -,
SPECIAL FUNDS	3,090	2,989	2,791	2,791	2,791	2,791	2,791	2,791
TOTAL PROGRAM REVENUES	3,090	2,989	2,791	2,791	2,791	2,791	2,791	2,791

Through advocacy, education, and long range planning, to ensure sustainable, reliable, safe, and quality communications, utility and transportation services at fair cost for Hawaii's consumers for the short and long term

B. Description of Request and Compliance with §37-68(1)(A)(B)

1. MOF B. Transfer \$36,902 in FY 10 and \$36,902 in FY 11 from other current expenses to personal services for fringe benefits.

C. Description of Activities Performed

- 1. The Director and the Division staff advocate positions on behalf of consumers of utility and transportation services before the State of Hawaii Public Utilities Commission ("PUC"), the Federal Communications Commission ("FCC"), and other federal, state and local agencies. These positions are developed and advocated concerning: (a) Applications for authority to offer new services; (b) Rate and fare proposals; (c) Revenue and earnings requirements of regulated utilities; (d) Financing of equipment, plant, and other facilities, (e) Review of capital improvement projects; (f) Transfers, extensions, and cancellations of permits, franchises, and certificates; (g) Regulations governing regulated industries; (h) Formulation of policies and long range planning for telecommunications and energy utilities; and (i) Service quality.
- 2. Compliance investigations are conducted regarding the adequacy and efficiency of utility services.
- 3. Education of consumers through web site, newsletters, sponsored events, and attendance at trade-shows, fairs, business and community meetings, etc.

D. Statement of Key Policies Pursued

- 1. Ensure robust energy and telecommunications infrastructures. This program is highly proactive in implementing the objectives and policies for both energy and telecommunications systems stated in the Hawaii State Planning Act, HRS, §226-18 and 18.5, respectively. The program advances the public interest by advocating for dependable, efficient and reasonably priced telecommunications and energy systems.
- 2. <u>Ensure reasonable use of renewable energy resources.</u> The program considers the long-term benefits of renewable resources in proceedings involving electric utilities or their proposals.
- 3. <u>Provide jobs; stabilize and diversify Hawaii's economy.</u> The program endeavors to ensure that high quality utility and transportation services are available to all businesses and customers at reasonable rates.
- 4. <u>Maintain a healthy visitor industry.</u> The program provides Hawaii a voice before federal agencies to encourage reasonably-priced telecommunications services to ensure that Hawaii remains competitive with other tourist destinations.
- 5. Educate people about utility matters that affect them, how they can be wiser consumers, and how they can more fully participate in the regulatory process. Encourage consumers to play a more active role in moving our state's energy and other utility policies forward.

E. Identification of Important Program Relationships

1. Federal utility and telecommunications policies should be consistent with components of the Hawaii State Plan. However, Hawaii's uniqueness may, at times, require exemption from federal policies in selected areas.

- 2. Because the PUC must make fact-based findings and determinations, this Program provides the PUC with thoroughly researched, fact-based recommendations consistent with administrative initiatives and the interests of consumers.
- 3. At the county level, consumers demand low-cost, quality barge and motor carrier services, and reasonably priced electric, gas, and telephone service.
- 4. State and county agencies such as the Department of Health, Department of Business and Economic Development and Tourism, Department of Agriculture, the Public Works Division of the Department of Accounting and General Services, and the Department of Transportation are continually consulted.

F. Description of Major External Trends Affecting the Program

- 1. Movement toward competition in the electric, transportation and telecommunications industries and resulting changes in regulation.
- 2. Changing energy requirements and technological developments in the energy field. Promotion of energy efficiency, rather than consumption, is a dramatic example.
- 3. The growth of wide-spectrum telecommunications is affecting the quality, quantity, and pricing of communication services.
- 4. The adversary system in regulatory proceedings is costly and time-consuming.
- 5. Technological developments in information transmission are re-directing the course of telecommunications.
- 6. Rapid increase in demand for electric and telecommunications services has caused a commensurate increase in capital improvement projects and rate increase requests.

G. Discussion of Cost, Effectiveness, and Program Size Data

- 1. The program has changed its area of emphasis and the methods in which it carries out the program directives. The program has reduced emphasis in some areas of responsibility and focused more on energy, telecommunications, water and wastewater services.
- 2. The program has fourteen of twenty-five positions filled, and currently must rely upon consultant services where the size, scope, and sophistication of the problems confronting consumers require specialized expertise, in the form of cost-beneficial "services for fee."

H. Discussion of Program Revenue

Not applicable.

I. Summary of Analysis Performed

Four studies analyzed and evaluated the current regulatory program: (1) "Management Audit of the Public Utilities Commission and the Division of Consumer Advocacy" (January 2004); (2) "Management Audit of the Public Utilities Program of the State of Hawaii," (February 1989); (3) "Management Study of the Public Utilities Division, Department of Regulatory Agencies and the Public Utilities Commission," (January 1980); and (4) "Management Audit of the Public Utilities Program," (August 1975, three volumes). The Legislative Auditor has made several recommendations affecting the Program.

J. Further Considerations

The Program has implemented some of the recommendations included in the 2004 study.

REPORT P61-A

PROGRAM ID:

CCA104

PROGRAM STRUCTURE NO. 10010303

PROGRAM TITLE:

FINANCIAL INSTITUTION SERVICES

		IN DOLLAF	(S		:					
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15		
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES	29.00* 1,823,811 249,214	32.00* 2,722,620 368,509	32.00* 2,770,139 368,509	32.00* 2,770,139 368,509	32.0* 2,770 369	32.0* 2,770 369	32.0* 2,770 369	32.0* 2,770 369		
EQUIPMENT	31,668	10,800			<u> </u>			<u> </u>		
TOTAL OPERATING COST	2,104,693	3,101,929	3,138,648	3,138,648	3,139	3,139	3,139	3,139		
BY MEANS OF FINANCING				·						
DI MEANS OF FINANCING	29.00*	32.00*	32.00*	32.00*	32.0*	32.0*	32.0*	32.0*		
SPECIAL FUND	2,104,693	3,101,929	3,138,648	3,138,648	3,139	3,139	3,139	3,139		
TOTAL POSITIONS	29.00*	32.00*	32.00*	32.00*	32.00*	32.00*	32.00*	32.00*		
TOTAL PROGRAM COST	2,104,693 	3,101,929 	3,138,648	3,138,648	3,139	3,139	3,139	3,139		

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:
CCA104
10010303
FINANCIAL INSTITUTION SERVICES

	FY	FY	FY	FY	FY	FY	FY	FY
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. % INST EXAMND IN TIMELY MANNER PURS TO STAT RULES 2. %COMPL FIN INST APPL PROC TIMELY & PURS TO STAT 3. % WRITTEN INOS REVIEWED/PROCESSED WIN 30 DAYS 4. % LIC RENWLS REVIEW/PROC TIMELY, PURS TO STDS 5. % AUDITED FINANCIAL STATEMTS REVIEWED W/IN 30 DAYS	90 91 90 94 79	92 95 90 90	95 90 90 90 90	95 90 90 90 90	95 90 90 90 90	95 90 90 90 90	95 90 90 90 90	95 90 90 90
PROGRAM TARGET GROUPS 1. DE FACTO POPULATION IN HAWAII (000) 2. FIN INST, BRANCHES & OTHER OFFICES REGULATED	1406	1421	1435	1449	1464	1478	1493	1508
	1543	1517	1547	1578	1578	1578	1578	1578
PROGRAM ACTIVITIES 1. # FIN INST BRANCHES & OTHER OFFICES EXAMINED 2. # OF APPLICS OF FINAN INSTS REVIEWED 3. # OF WRITTEN INQUIRIES RECEIVED 4. # OF LICENSES RENEWED 5. # AUDITED FIN STATEMENTS RECEIVED FOR REVIEW 6. # OF WRITTEN COMPLAINTS RECEIVED 7. # OF TELEPHONE/WALK-IN INQUIRIES RECEIVED	284	236	245	247	253	253	253	253
	134	110	119	121	121	121	121	121
	294	322	328	335	335	335	335	335
	194	169	172	175	175	175	175	175
	52	52	54	55	55	55	55	55
	86	90	92	94	94	94	94	94
	4645	4600	4600	4600	4600	4600	4600	4600
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) TAXES LICENSES, PERMITS, AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES TOTAL PROGRAM REVENUES	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
	57	47	186	186	186	186	186	186
	150	75	75	75	75	75	75	75
	404	358	420	528	528	528	528	528
	2,611	2,480	2,681	2,789	2,789	2,789	2,789	2,789
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) SPECIAL FUNDS TOTAL PROGRAM REVENUES	2,611	2,480	2,681	2,789	2,789	2,789	2,789	2,789
	2,611	2,480	2,681	2,789	2,789	2,789	2,789	2,789

To ensure the safety and soundness of state-chartered and state-licensed financial institutions by fairly administering applicable statutes and rules in order to protect the rights and funds of depositors, borrowers, consumers, and other members of the community, and to supervise escrow depositories and money transmitters.

B. Description of Request and Compliance with §37-68(1)(A)(B)

Program is requesting no adjustments to its base budget.

C. Description of Activities Performed

The Division is responsible for the licensure, examination and supervision of state-chartered and licensed banks, trust companies, savings and loan associations, financial services loan companies, credit unions, escrow depositories, and money transmitters.

D. Statement of Key Policies Pursued

The Division's greatest challenge is to be responsive to changes in the financial services industry. This is accomplished through: (1) ensuring that the Division's laws, rules, policies, procedures and resources enable the Division to effectively and efficiently regulate and supervise the financial services industry, and (2) maintaining a work force that is highly skilled and effective through continuous and on-going training.

E. Identification of Important Program Relationships

Cooperation among federal and state financial regulators is required to achieve the goal of maintaining public confidence in the financial system. It is more important than ever to promote uniformity, consistency and cooperation among the regulators, especially with the current financial crisis and with the advent of interstate banking and branching.

internet banking, implementation of the federal financial modernization laws allowing affiliations among banks and other financial services companies, and increased emphasis on compliance with federal Bank Secrecy Act and anti-money laundering laws. A good foundation has been laid for such interaction. Existing laws, policies, and procedures for coordinating the supervision of financial institutions (including the conduct of joint examinations, the coordinated processing of applications, the sharing of confidential supervisory information, and coordinated efforts for enforcement actions) between the federal and state regulatory agencies continue to be reviewed and refined in order to achieve optimal supervisory efficiency for the protection of the public while minimizing the regulatory burdens on the financial services industry.

F. Description of Major External Trends Affecting the Program

The national mortgage crisis that began in 2007 evolved into a full-scale financial crisis in 2008, resulting in unprecedented economic disruptions both nationally and globally. In the U.S., it involved the failure, government take-over, government-assisted acquisition, or government assistance to some of the world's largest financial companies such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, AIG, Bear Stearns, Lehman Brothers, IndyMac Bank and Washington Mutual. In response, Congress passed the Emergency Economic Stabilization Act which provided the Treasury Department broad authority to restore liquidity and stability to the U.S. financial system; authorized a \$700 billion financial rescue package; and temporarily increased federal deposit insurance limits to \$250,000. In addition, the Federal Reserve Board, the Treasury Department, and the FDIC have taken extraordinary steps to provide additional liquidity to the economy and restore the operations of the credit markets by expanding or creating various liquidity facilities; coordinating measures with other central banks; providing guarantees to money-market mutual funds, noninterest bearing transaction deposit accounts, and senior debt of FDIC-insured institutions; and purchasing senior preferred shares in depository institutions. While Hawaii-chartered banks remain well-capitalized and are prepared to make credit available

to qualified borrowers, the Division continues to monitor the impact of the disruptions and of numerous federal initiatives on the overall industry and on individual institutions.

Dramatic changes in the financial services industry have been occurring over the last decade, and are expected to continue. Consolidations, increased competition from non-banking entities, new products and delivery channels, and expanded powers have resulted in stunning changes to the institutions' operations, structure, and risk profiles. Major federal laws and regulations relating to interstate banking and branching; eliminating legal barriers to affiliations among banks and other financial services companies; establishing federal standards for financial privacy, corporate governance, capital requirements, credit reporting, identity theft; and addressing terrorism have had a significant and ongoing impact on the industry.

In response, the Division has had to submit legislation to change conflicting or inconsistent State laws; adopt supervisory protocols and agreements with other state and federal banking agencies for the cooperation and coordination of regulatory activities; increase coordination and cooperation with other federal and state agencies that serve as the functional regulators of certain financial institution activities; implement new examination procedures and enhance other program activities to ensure institutions are in compliance with the new laws and regulations; and develop and maintain a highly skilled and effective work force. In addition, the Division has and will continue to have to work closely with the private sector, law enforcement, and other state and federal agencies to protect the financial sector.

Further legislation and regulation are expected at the federal level by both Congress and the federal banking agencies as they deal with the evolving financial services industry and the on-going financial crisis. Among issues that still must be dealt with are further revisions to the banking industry's capital standards, reform and restructuring of the U.S. financial regulatory system, and possible reform of bankruptcy laws.

G. Discussion of Cost, Effectiveness, and Program Size Data

The number of institutions and offices supervised and licensed by the Division increased substantially in FY 08 with the newly enacted law requiring licensing of money transmitters. This increase, coupled with the current financial crisis both nationally and globally, and the increasing complexity of issues the Division deals with as the financial services industry evolves and as new laws, rules and regulations are enacted requires that training of staff continues to be priority. In FY 08, the Division was able to fill many of its vacancies. Three new positions to implement the money transmitter program were authorized beginning in FY 09; however, due to the delayed effective date of Act 195, 2008 SLH, which was intended to provide the necessary revenues for the program, the Division has had to delay the hiring of additional examiners until late in FY 10 and has only been able to partially implement the money transmitter program using existing staff as, and if, available.

H. Discussion of Program Revenue

Revenue generated from the current program comes primarily from the franchise tax, annual office fees, application fees, and license fees. After several years of waiving the collection of examination fees and expenses due to adequate reserves in the Compliance Resolution Fund, the Division commenced collecting these fees as of January 1, 2008.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

REPORT P61-A

PROGRAM ID:

CCA105

PROGRAM STRUCTURE NO. 10010304

PROGRAM TITLE:

PROFESSIONAL & VOCATIONAL LICENSING

		IN DOLLAF	?S			IN THOUS	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	60.00*	60.00*	65.00*	65.00*	65.0*	65.0*	65.0*	65.0
PERSONAL SERVICES	4,198,082	5,148,746	5,403,058	5,403,058	5,403	5,403	5,403	5,403
OTHER CURRENT EXPENSES EQUIPMENT	1,405,552 36,326	2,299,162	2,339,162	2,319,162	2,319	2,319	2,319	2,319
TOTAL OPERATING COST	5,639,960	7,447,908	7,742,220	7,722,220	7,722	7,722	7,722	7,722
				·				
BY MEANS OF FINANCING								
ODEOTAL FINE	55.00*	55.00*	57.00*	57.00*	57.0*	57.0*	57.0*	57.0
SPECIAL FUND	4,525,949			5,601,065	5,601	5,601		5,601
	5.00*	5.00*	8.00*	8.00*	8.0*	8.0*	8.0*	8.0
TRUST FUNDS	1,114,011	2,080,194	2,141,155	2,121,155	2,121	2,121	2,121	2,121
TOTAL POSITIONS	60.00*	60.00*	65.00*	65.00*	65.00*	65.00*	65.00*	65.00*
TOTAL PROGRAM COST	5,639,960	7,447,908	7,742,220	7,722,220	7,722	7,722	7,722	7,722

PROGRAM ID: PROGRAM STRUCTURE: PROGRAM TITLE:

CCA105 10010304 PROFESSIONAL AND VOCATIONAL LICENSING

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
MEASURES OF EFFECTIVENESS 1. % NEW LICENSES ISSUED WITHIN 10-12 BUSINESS DAYS 2. % LICENSEES RENEWED WITHIN 10-12 BUSINESS DAYS	92 98	95 97	95 97	95 97	95 97	95 97	95 97	95 97 90
% PVL-PROPOSED LEGISLATIVE MEASURES ENACTED PROGRAM TARGET GROUPS	60	0	90	90	90	90	90	90
 DE FACTO POPULATION IN HAWAII (000) PERS/BUS LIC BY PVL (ALL STATUSES) PERS/BUS LICENSED BY PVL (CURR AND ACT) REG BOARDS, COMMISSIONS, PROG ASSIGNED TO PVL 	1406 315630 133668 46	1421 329000 137000 46	1435 331000 137000 47	1449 340930 137000 47	1464 352860 137000 47	1478 363445 137000 47	1493 363445 137000 47	1508 363445 137000 47
PROGRAM ACTIVITIES 1. # OF PROF & VOC APPLICATIONS RECEIVED 2. # OF EXAMINEES & REEXAMINEES 3. # OF APPLICANTS LICENSED 4. # OF PERMITS ISSUED 5. # OF LICENSES RENEWED 6. # OF UPDATE TRANSACTIONS FOR LICENSES 7. # CONDO REQUESTS, APPLS, REPORTS & EDUC OFFERINGS 8. # OF REAL ESTATE REQUESTS AND EDUC OFFERINGS 9. # OF SUBDIVISION FILINGS RECEIVED 10. # OF EXAMS & EXAM PROC DEV, MODIFIED OR REVIEWED	14507 9580 13083 2675 56128 203463 58377 126086 9	14000 10060 13000 2450 50000 205000 62500 101650 11 28						
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) LICENSES, PERMITS, AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES NON-REVENUE RECEIPTS TOTAL PROGRAM REVENUES	3,225 307 1,506 117 5,155	3,462 250 1,525 608 5,845	3,548 225 1,652 68 5,493	3,969 200 1,540 608 6,317	3,610 200 1,652 68 5,530	3,870 200 1,525 608 6,203	3,647 200 1,667 68 5,582	3,917 200 1,525 608 6,250
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS SPECIAL FUNDS ALL OTHER FUNDS TOTAL PROGRAM REVENUES	17 5,021 117 5,155	5,232 608 5,845	5,420 68 5,493	20 5,689 608 6,317	5,457 68 5,530	5,590 608 6.203	20 5,494 68 5,582	5 5,637 608 6,250

To ensure that the individual is provided with professional, vocational, and personal services meeting acceptable standards of quality, equity, dependability, and promptness by establishing and enforcing appropriate service standards; to regulate activities for the protection, welfare and safety of the participants as well as the public.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. MOF B. Add funding \$142,340 in FY10 and \$142,340 in FY11 for estimated fringe benefits (Compliance Resolution Fund).
- 2. MOF T. Add funding \$9,894 in FY10 and \$9,894 in FY11 for estimated fringe benefits (Real Estate Education Fund).
- 3. MOF T. Add funding \$26,311 in FY10 and \$26,311 in FY11 for estimated fringe benefits (Condo Management Education Fund).
- 4. MOF B. Add 2.00 temporary positions and funding \$139,842 in both FY 10 and FY 11 for Mixed Martial Arts (Compliance Resolution Fund).
- 5. MOF T. Add funding \$20,000 in FY 10 for federal registry fees (Real Estate Appraisers Registry Fee).
- 6. MOF B. Convert 2.00 temporary positions to permanent positions (Compliance Resolution Fund).
- 7. MOF T. Convert 2.00 temporary positions to permanent positions (Real Estate Education Fund).

8. MOF T. Convert 1.00 temporary position to permanent position (Condo Management Education Fund).

C. Description of Activities Performed

The special funded program is responsible for the licensing and regulation of 46 different professions and vocations. It provides administrative support to 25 regulatory licensing boards and, on behalf of the director of the department, administers 21 regulatory licensing programs.

The trust funds are dedicated to specific statutory purposes to educate the licensees who are the contributors to the fund, or serve as a source of monetary recovery for an injured consumer, or support increased government service demands by licensees. One fund is federally mandated to collect fees on its behalf, with revenues going to the federal agency.

D. Statement of Key Policies Pursued

For both the special and trust funds, clients of the program are to be serviced with quality, equity, dependability, and promptness. Those clients which the program licenses are to be competent so that the consuming public's health, safety and welfare are protected.

E. Identification of Important Program Relationships

The special funded program has equally important relationships with other State agencies, counties, federal agencies, private sector programs, and national regulatory and licensing bodies. Persons who are licensed by this program may be employees, contractors, service providers of these private and public sector agencies. Consultation

and coordination may be necessary in cases where changes in licensing and regulation could have a significant or adverse effect on said agencies.

The trust funds do not necessarily require agency relationships since the beneficiaries of the trust funds are the contributing licensees, or injured consumers, or a federal agency.

F. Description of Major External Trends Affecting the Program

A change in economic conditions could affect the number of persons seeking licensure or renewing licenses. This impacts revenues to the special fund and the trust funds and the program's self-sufficiency.

Federal licensing mandates also impact the program, although nothing is pending at this time.

G. Discussion of Cost, Effectiveness, and Program Size Data

For the special fund, the budget is consistent with the program's anticipated expenditures. The programs' prudent spending requires them to have a fund balance at the end of the fiscal year, for carryover purposes. New regulatory programs enacted by the legislature and assigned to this program, as well as general increases in cost for products and services, could increase expenditures, which the budget does not take into account.

For the trust funds, the budget is consistent with the program's planned program of work and anticipated expenditures.

H. <u>Discussion of Program Revenue</u>

For the special fund, all revenues are derived from fees paid by applicants for professional and vocational licenses, and renewing licensees.

With the advent of self-sufficiency in July 1994, the program is sustained by its revenues, has not sought fee increases, has provided discounts for on-line renewals provided the licensing area is online eligible and listed in HRS 92-28, continues its cost control measures to maintain appropriate service standards in spite of rising operational costs, and further ensures sufficient carryover balances each year.

For the trust funds, revenues are derived from trust fund fees paid in initial license and/or at renewal. Estimation of revenues is based on past trending and other planned program of work, estimation of recovery fund payouts to consumers from the applicable fund(s). External considerations, such as the effect of economic conditions, also impacts revenues.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID:

CCA106

PROGRAM STRUCTURE NO. 10010306

PROGRAM TITLE:

INSURANCE REGULATORY SERVICES

		IN DOLLA	RS			IN THOU	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	80.00*	81.00*	81.00*	81.00*	81.0*	81.0*	81.0*	81.04
PERSONAL SERVICES	5,334,618	6,437,067	6,715,671	6,715,671	6,716	6,716	6,716	6,716
OTHER CURRENT EXPENSES	4,785,675	7,587,949	7,361,387	7,361,387	7,361.	7,361	7,361	7,361
EQUIPMENT	25,518	32,900	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,	.,	.,002	,,001	1,001
TOTAL OPERATING COST	10,145,811	14,057,916	14,077,058	14,077,058	14,077	14,077	14,077	14,077
					========			
BY MEANS OF FINANCING				!				
	80.00*	81.00*	81.00*	81.00*	81.0*	81.0*	81.0*	81.0*
SPECIAL FUND	10,064,721	13,857,916	13,877,058	13,877,058	13,877	13,877	13,877	13,877
TRUST FUNDS	81,090	200,000	200,000	200,000	200	200	200	200
TOTAL POSITIONS	80.00*	81.00*	81.00*	81.00*	81.00*	81.00*	81.00*	81.00*
TOTAL PROGRAM COST	10,145,811	14,057,916	14,077,058	14.077.058	14,077	14.077	14.077	14,077
						=======		

PROGRAM ID: CCA106
PROGRAM STRUCTURE: 10010306
PROGRAM TITLE: INSURANCE REGULATORY SERVICES

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
MEASURES OF EFFECTIVENESS								
 % OF COMPLAINTS RESOLVED WITHIN 90 DAYS % INSURER'S EXAM WKLD COMPL AT LEAST ONCE IN 5 YR % CAPTIVE INSUR EXAM WKLD CMP EV 3 YR OR W/IN 5 YR % RATE/POL FILINGS REVIEWED W/IN STAT TIME REQMTS % MV INSURANCE FRAUD CASES INDICTED BY STATE % CHANGE FROM PRIOR YEAR IN # OF CAPTIVE LICENSEES 	95 100 59 95 100 1.0	95 100 70 95 100 4.0	95 100 70 95 100 3.0	95 100 70 95 100 3.0	95 100 80 95 100 3.0	95 100 90 95 100 3.0	95 100 100 95 100 3.0	95 100 100 95 100 3.0
PROGRAM TARGET GROUPS								
 DE FACTO POPULATION IN HAWAII (000) INSURER LICENSEES REGULATED BY INSURANCE DIV CAPTIVE LICENSEES REGULATED BY INSURANCE DIVISION OTHER LICENSEES REGULATED BY INSURANCE DIVISION MOTOR VEHICLES SUBJECT TO INS REGULATIONS (000) 	1406 979 164 37038 926	1421 990 174 40000 926	1435 995 170 40000 926	1449 1000 172 40000 926	1464 1005 174 40000 926	1478 1010 176 40000 926	1493 1015 178 40000 926	1508 1020 180 40000 926
PROGRAM ACTIVITIES								
 # OF INSURER REPTS ANALYZD FOR HJUP RATE MAKING # OF LICENSE APPL, RENEWALS & UPDATES PROCESSED # OF COMPLAINTS # FRAUD REFER & COMPLAINTS OPEN FOR INVESTIGATIONS # INFORM BRFNGS & CAPTIVE DEV ACTIVITIES DURING YR # OF ANNUAL COMPANY FILINGS PROCESSED # INSUR & CAPTIVES APPL FOR CERT OF AUTH REVIEWED # OF EXAMS OF DOMESTIC INS & INS-TYPE ENTITIES # INSURER & ISSUER RATE & POLICY FILINGS ANALYZED # OF PREMIUM TAX STATEMENTS FILED 	7300 116194 702 64 30 2276 11 34 8273 7312	23 120000 780 55 24 1987 10 35 7100 7312	23 123931 780 60 25 2067 10 35 7100 7312	23 127990 780 65 25 2147 10 35 7100 7312	23 132182 780 65 25 2227 10 35 7100 7312	23 136512 780 65 25 2307 10 35 7100 7312	23 140984 780 65 25 2387 10 35 7100 7312	23 145602 780 65 25 2467 10 35 7100 7312
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) TAXES LICENSES, PERMITS, AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES NON-REVENUE RECEIPTS TOTAL PROGRAM REVENUES	96,332 3,817 568 4,658 227 3,676	96,000 3,650 328 5,161 76 7,850	96,000 3,650 328 8,661 76 7,850	96,000 3,650 328 8,661 76 7,850	96,000 3,650 328 8,661 76 7,850	96,000 3,650 328 8,661 76 7,850	96,000 3,650 328 8,661 76 7,850	96,000 3,650 328 8,661 76 7,850
	103,276	113,003	110,303	110,505	110,505	110,505	110,505	1 10,303
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS SPECIAL FUNDS ALL OTHER FUNDS TOTAL PROGRAM REVENUES	98,113 11,003 162 109,278	101,700 11,203 162 113,065	101,700 14,703 162 116,565	101,700 14,703 162 116,565	101,700 14,703 162	101,700 14,703 162	101,700 14,703 162	101,700 14,703 162
TOTAL FROGRAM REVENUES	109,270	113,000	110,000	110,000	116,565	116,565	116,565	116,565

To ensure that consumers are provided with insurance services meeting acceptable standards of quality, equity, and dependability at fair rates by establishing and enforcing appropriate service standards and fairly administering the Insurance Code.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. MOF B. Add funding of \$25,648 in FY 10 and \$25,648 in FY 11 for estimated fringe benefits costs of the Captive Insurance Administrative Fund.
- 2. MOF B. Transfer \$226,562 in FY 10 and \$226,562 in FY 11 from other current expenses to personal services for estimated fringe benefits costs of the Compliance Resolution Fund.

C. Description of Activities Performed

The program is responsible for the regulatory oversight of the insurance industry. The major activities are: (1) analysis of approval or disapproval of policies and rate filings; (2) review of insurance entities financial, operating and tax statements; (3) field examinations of insurers, health maintenance organizations, rating organizations, mutual and fraternal benefit societies, advisory organizations, agencies, independent claims organizations, guaranty associations; (4) qualification examinations and licensing insurers, health maintenance organizations and all categories of producers to transact insurance; (5) administration of the Hawaii Joint Underwriting Plan, including the development and promulgation of motor vehicle insurance rates, (6) investigation of complaints by the public of alleged violations of insurance statutes and rules and other consumer requests for assistance; (7) investigation of violations and enforcement of motor vehicle claims fraud law; (8) regulatory surveillance for market conduct and financial condition of all insurers, health maintenance organizations, and mutual and fraternal benefit societies for compliance with insurance laws, and (9) licensing, examination and regulatory oversight of the captive insurance companies and development of the captive industry in Hawaii.

D. Statement of Key Policies Pursued

Implementing the State Plan on Individual Rights by assuring the public of the broadest possible insurance coverages and benefits commensurate with reasonable rates from competent insurers and producers; by monitoring the financial solvency of licensed insurance companies to assure the insurers' ability to pay claims; enforcing all laws and regulations; and improving the level of voluntary compliance by the industry and public.

E. <u>Identification of Important Program Relationships</u>

The Director of the Commerce and Consumer Affairs has tasked the Division to provide staff support services in the administration of Chapter 448D, HRS, Dental Service Organizations; Chapter 488, HRS, Prepaid Legal Services; and Act 232, §5, SLH 1984, Patients' Compensation Fund. The Insurance Commissioner is an ex-officio member of the Hawaii Hurricane Relief Fund.

F. Description of Major External Trends Affecting the Program

- 1. Federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act) eliminated many of the barriers between banking, securities and insurance; it allows banks to sell insurance and insurance companies to perform banking functions. The Act mandated that a majority of states create uniform or reciprocal agent licensing law by November 15, 2002. This deadline was met by a majority of states.
- 2. Today, Congress is still looking at state-based insurance regulation and is considering additional federal oversight. Congress has proposed the State Modernization & Regulatory Transparency Act (SMART) and Optional Federal Charter.

3. The effect of worldwide catastrophic events, natural or man-made, such as the Florida and Gulf coast hurricanes, impacts property insurance by affecting the reinsurance market.

G. Discussion of Cost, Effectiveness, and Program Size Data

- 1. The Financial Surveillance and Examination Branch completed 100% of the examination of insurers within the statutory time frame in the last fiscal year. Twenty two domestic insurers, sixteen risk retention groups, two health maintenance organizations, and six mutual benefit societies are examined at least once every three to five years.
- 2. The Compliance and Enforcement Branch investigators resolved approximately 95% of consumers and industry (excluding cases referred for formal resolutions by administrative hearings) in 90 days in the last fiscal year. The Branch averages about 780 complaints annually.
- 3. The Rate and Policy Analysis Branch completed 95% of forms and rate filings reviews within the statutory time requirements in the last fiscal year. Annually, approximately 7,100 forms and rate filings are analyzed.
- 4. The Licensing Branch maintains the licensing database for over 37,000 licensees. With the exception of insurers and health maintenance organizations, the Branch oversees and collects the renewal fees annually, issues new licenses, and updates the database for changes made by licensees. The Branch maintains the on-line features, which includes insurance licensee search, downloading licensing forms, fee schedules & information for various licenses, tracking of licensees' continuing education credits; and an option to pay renewal fees on-line. The Branch is now processing electronic filings for producers' licensing applications, new appointments and termination of appointments and address changes for both resident and nonresident licensees.
- 5. The Captives Branch has licensed a total of 216 captive insurance companies, with 164 active licenses at the end of last fiscal year. Hawaii maintains its position as second in the U.S. of captive domiciles. The aggregate total of the licensed captive companies' assets,

premiums and investments held in Hawaii financial institutions had exceeded that of the twenty Hawaii domestic commercial insurers.

6. The Motor Vehicle Fraud Branch opened 64 new investigations and obtained indictments on 100% of their cases presented to grand jury in the last fiscal year.

H. Discussion of Program Revenue

- 1. The program collected 94.6 million of insurance premium taxes for deposit into the general fund in FY 2007-08.
- 2. The program's operating expenditures, except for the captive program cost, are paid from the CRF. The CRF revenue sources are licensing fees, fines, penalties, reimbursements, and assessments to cover the program's appropriation.
- 3. The captive program operating expenditures are paid from the CIAF. The CIAF revenue sources are premium taxes, fees, fines, penalties, and reimbursements to cover the program's appropriation

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

REPORT P61-A

PROGRAM ID:

CCA110

PROGRAM STRUCTURE NO. 10010401

PROGRAM TITLE:

OFFICE OF CONSUMER PROTECTION

And the second of the second o		IN DOLLAI	RS			IN THOU	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES EQUIPMENT	16.00* 1,198,969 218,565 5,871	16.00* 1,473,002 252,591	16.00* 1,545,840 252,591	16.00* 1,545,840 252,591	16.0* 1,546 253	16.0* 1,546 253	16.0* 1,546 253	16.0* 1,546 253
TOTAL OPERATING COST	1,423,405	1,725,593	1,798,431	1,798,431	1,799	1,799	1,799	1,799
BY MEANS OF FINANCING								
	16.00*	16.00*	16.00*	16.00*	16.0*	16.0*	16.0*	16.0*
SPECIAL FUND TRUST FUNDS	1,388,647 34,758	1,674,912 50,681	1,747,750 50,681	1,747,750 50,681	1,748 51	1,748 51	1,748 51	1,748 51
TOTAL POSITIONS	16.00*	16.00*	16.00*	16.00*	16.00*	16.00*	16.00*	16.00*
TOTAL PROGRAM COST	1,423,405 	1,725,593	1,798,431 	1,798,431	1,799	1,799	1,799	1,799

PROGRAM ID: CCA110
PROGRAM STRUCTURE: 10010401
PROGRAM TITLE: OFFICE OF CONSUMER PROTECTION

	FY							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. # CONSUMERS DIRECTLY AFFECTED BY OFFICE ACTN (000) 2. # BUSINESSES DIRECTLY AFFECTED BY OFFICE INVSTĞTNS 3. \$ AMT OF FINES ASSESSED OR COSTS IMPOSED (000) 4. # DISPUTES HANDLED THRU ALT DISPUTE RESOLUTION	28	28	30	30	30	30	30	30
	1000	1000	1000	1000	1000	1000	1000	1000
	1673	1673	300	300	300	300	300	300
	105	105	100	100	100	100	100	100
PROGRAM TARGET GROUPS 1. RESIDENT STATE POPULATION (000) 2. VISITORS TO HAWAII (000)	1300	1300	1300	1300	1300	1300	1300	1300
	7000	7000	7000	7000	7000	7000	7000	7000
PROGRAM ACTIVITIES 1. # OF CONSUMER COMPLAINTS REC (EXCL LANDLD/TENANT) 2. # OF COMPLAINTS INITIATED BY OCP 3. # OF LANDLORD-TENANT DISPUTES PROCESSED 4. # OF COMPLNTS RESOLVED AT INVESTIGATIVE LEVEL 5. # OF LEGAL ACTIONS 6. # INQ RECVD ON BUSINESS COMPLAINT HISTORIES 7. # PERSONS REACHED THRU EDUCATIONAL EFFORTS 8. # LEG PROP FOR WHICH OCP PROVIDED TESTIMONY	1000	1000	1500	1500	1500	1500	1500	1500
	76	76	55	55	55	55	55	55
	8000	8000	10000	10000	10000	10000	10000	10000
	700	700	700	700	700	700	700	700
	19	19	15	15	15	15	15	15
	5000	5000	6000	6000	6000	6000	6000	6000
	13000	13000	5000	5000	5000	5000	5000	5000
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES TOTAL PROGRAM REVENUES	33	15	15	15	15	15	15	15
	1	2	2	2	2	2	2	2
	1,673	300	300	300	300	300	300	300
	1,707	317	317	317	317	317	317	317
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) SPECIAL FUNDS TOTAL PROGRAM REVENUES	1,707	317	317	317	317	317	317	317
	1,707	317	317	317	317	317	317	317

To protect the public interest by investigating alleged violations of consumer protection laws, taking legal action to stop unfair or deceptive trade practices in the marketplace, and assisting in educating the public and businesses concerning their respective legal rights and obligations in the marketplace.

B. Description of Request and Compliance with §37-68(1)(A)(B)

1. MOF B. Add funding \$53,328 in FY 10 and \$53,328 in FY 11 for estimated fringe benefits cost.

C. <u>Description of Activities Performed</u>

Investigation of Complaints. Receive all complaints on a statewide basis: walk-ins, mail and telephone; evaluate complaints in relation to investigation threshold criteria, for cases meeting threshold requirements; determine all facts of complaint; determine from facts whether or not there is a violation of any consumer protection law; refer cases which, on their face, fall within the jurisdiction of another agency; inform complainant of findings of fact and course of action to be taken, if any, by this office or another governmental agency; coordinate fact finding functions with other governmental agencies; monitor advertisements; subpoena witnesses for investigation of facts; conduct investigative public hearings to determine if there is any violation of consumer protections law.

Landlord-Tenant Cases. Provide Landlord-Tenant code information to callers.

<u>Prosecution.</u> Determine adequacy of evidence to prove violation prior to filing a complaint in court; negotiate Assurance of Voluntary Compliance or Consent Judgment prior to the filing of a complaint in court; take court action against business entity which

has violated consumer protection law; obtain injunction, civil penalty and restitution for consumers in court actions and settlement of cases.

<u>Legislation</u>. Promulgate rules and regulations to protect consumers; draft consumer protection legislation for the Department; recommend consumer protection legislation to the Legislature; and offer testimony on other consumer protection legislation.

D. Statement of Key Policies Pursued

To protect the interests of both the consumer public and legitimate businesses by investigating alleged violations of consumer protections laws; taking legal action to stop unfair or deceptive practices in the marketplace; proposing, drafting or responding to consumer-related legislation and contributing to the Department's efforts in educating the consumer public and businesses of their respective legal rights and obligations in the marketplace; to promote voluntary compliance with consumer-related laws by the business community; to enforce consumer protection laws within the Division's jurisdiction; and to promote and to assist in the formation of consumer education groups and programs.

These policies will further the stated objectives of the State Plan on Individual Rights.

E. Identification of Important Program Relationships

Important program relationships are maintained with the National Association of Attorneys General, the Federal Trade Commission, the U.S. Consumer Product Safety Commission, the State Attorney General, various divisions of the Department, and various county police departments and prosecuting attorneys.

F. Description of Major External Trends Affecting the Program

State and Federal consumer protection offices across the country continue to be a strong force in protecting the public from unfair or deceptive trade practices. The Division regularly participates in joint investigations and prosecutions with numerous state and federal agencies, such as, the state attorneys general and the Federal Trade Commission. Close inter-jurisdictional coordination with these external entities has allowed the Division to expand its level of consumer protection without increasing costs.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

Not applicable.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

REPORT P61-A

PROGRAM ID:

CCA111

PROGRAM STRUCTURE NO. 10010403

PROGRAM TITLE:

BUSINESS REGISTRATION & SECURITIES REGUL

		IN DOLLA	RS			IN THOUS	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	75.00*	75.00*	74.00*	74.00*	74.0*	74.0*	74.0*	74.0*
PERSONAL SERVICES	4,382,593	5,259,578	5,358,180	5,358,180	5,358	5,358	5,358	5,358
OTHER CURRENT EXPENSES	1,141,991	1,582,555	1,517,555	1,517,555	1,518	1,518	1,518	1,518
EQUIPMENT	36,280	5,425					-,	_,
TOTAL OPERATING COST	5,560,864	6,847,558	6,875,735	6,875,735	6,876	6,876	6,876	6,876
BY MEANS OF FINANCING								
	75.00*	75.00*	74.00*	74.00*	74.0*	74.0*	74.0*	74.0*
SPECIAL FUND	5,560,864	6,847,558	6,875,735	6,875,735	6,876	6,876	6,876	6,876
TOTAL POSITIONS	75.00*	75.00*	74.00*	74.00*	74.00*	74.00*	74.00*	7/ 000
TOTAL PROGRAM COST	5,560,864	6.847.558	6,875,735	6.875.735	6,876			74.00*
TOTAL TROOMER GOOT				0,015,135		6,876 =====	6,876 ======	6,876

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:

CCA111
10010403
BUSINESS REGISTRATION AND SECURITIES REGULATION

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
MEASURES OF EFFECTIVENESS								2011.10
1. AV DAYS PROC CORP, PART, LLC, TRADE NM W/EXPED HANDLG 2. AV DAYS PROC CORP, PART, LLC, TRADE NM W/ REG HANDLG 3. AV DAYS PROC APPS FOR BROKER/DEALERS/INV ADVISORS 4. AV DAYS TO PROCESS APPLICS FOR SALESPERSONS 5. AV DAYS TO PROCESS APPS FOR INVESTMT ADVISERS REPS 6. AVG AGE OF CASES PENDING IN INVESTIGATIONS SECTION 7. AVG AGE OF CASES PENDING IN LEGAL SECTION 8. AVG AGE OF ALL CASES PENDING IN ENFORCEMENT 9. TOTAL DOLLAR AMOUNT OF PENALTIES IMPOSED	1 3 25 15 15 459 595 527 81500	1 3 25 15 15 450 550 500 1250000	1 3 25 15 15 450 550 500 100000	1 3 25 15 15 450 550 500 100000	1 3 25 15 15 450 500 450 100000	1 3 25 15 15 450 500 450 100000	1 3 25 15 15 450 500 450 100000	1 3 25 15 15 450 500 450 100000
PROGRAM TARGET GROUPS								
 CORP, PART, LLC, TRNAMES, TRMKS, SVC MKS ON REC(000) DLRS, SALES, SECURITY OFF, FRANCH, INV ADV & REPS 	169273 77243	170000 77000	160000 75000	164000 75000	168000 75000	172000 75000	172000 75000	172000 75000
PROGRAM ACTIVITIES								
1. # DOCS FOR PROC & ANN REPTS, STMTS SENT OUT BY DRB 2. #SECURITIES COMPLIANCE APPLICATIONS RECEIVED 3. #ENFORCE CASES OPENED FOR INVES DESIGN TIME PER 4. #DISCIPLINARY/ENFORCE-RELATED INQUIRIES RECEIVED 5. #OF COMPLTS RESOLVED AT INVESTIGATIVE LEVEL IN FY 6. #ENFORCEMENT CASES CLOSED DURING THE FISCAL YR 7. #OF PRELIM ORDERS AND SETTLMNTS COMPLETED 8. #OF SUSPENSIONS OR BARS IMPOSED 9. #OF PERSONS REACHED THRU INVSTR ED PROG ACTIVITY	59069 32741 77 1540 72 49 13 6 51000	13684 30000 65 1575 60 45 15 4 53000	14000 33000 65 1550 60 45 13 4 55000	14000 35000 65 1550 60 45 13 4 55000	14000 36000 65 1550 60 45 13 4 55000	14000 38000 65 1550 60 45 13 4 55000	14000 38000 65 1550 60 45 13 4 55000	14000 35000 65 1550 60 45 13 4 55000
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) LICENSES, PERMITS, AND FEES REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES	3,078 316 3,788 36	3,200 200 3,974 75	3,700 200 4,124 75	3,700 200 4,124 75	3,700 200 4,124 75	3,700 200 4,124 75	3,700 200 4,124 75	3,700 200 4,124 75
TOTAL PROGRAM REVENUES	7,218	7,449	8,099	8,099	8,099	8,099	8,099	8,099
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) SPECIAL FUNDS	7,218	7,449	8,099	8,099	8,099	8,099	8.099	8,099
TOTAL PROGRAM REVENUES	7,218	7,449	8,099	8,099	8,099	8,099	8,099	8,099

To ensure that business registration information is accurately maintained for corporations, partnerships, limited liability companies, trade names, trademarks, and service marks; to run business centers to provide personalized assistance to small and startup businesses; and to ensure compliance with and enforcement of securities and franchise laws.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. MOF B. Add funding \$173,611 in FY 10 and \$173,611 in FY 11 for cost of estimated fringe benefits.
- 2. MOF B. Trade-off/Transfer-out 1.00 permanent position count, 1.00 temporary position count, and \$53,424 in FY 10 and FY 11 to CCA 112.

C. <u>Description of Activities Performed</u>

- 1. Corporations, partnerships, trade names, limited liability companies, etc. Determine that all documents are filed in compliance with applicable statutory requirements. Assist the public in accessing information regarding documents that have been successfully filed with the Division, including implementing online access to public registration services and public documents. Provide personalized assistance to businesses registering with the Division.
- 2. <u>Sales of securities and franchises</u>. Examine applications for registration of securities and franchises to determine that offerings of the securities or franchise comply with statutory requirements; register securities, salespersons, broker-dealers, investment advisers, investment adviser representatives and franchises; examine financial reports and

records of securities dealers and investment companies; and conduct investigations of reported fraud and other securities or franchise violations and prosecute violations.

D. Statement of Key Policies Pursued

Implementation of the State Plan for Individual Rights by ensuring that:

- 1. All filed documents are examined in a consistent manner and comply with statutory requirements. Public documents are made accessible to the public by request or online.
- 2. All sales of securities are done in compliance with the law. Securities dealers, salespeople, investment advisers, investment adviser representatives and investment companies are properly registered under state law. To ensure compliance, applications for registration are examined in a consistent and detailed manner. To enforce regulations, the Division conducts investigations and takes administrative action against violators of the Uniform Securities Act. The Division also sponsors legislation to address loopholes and new trends in securities regulation. Effort is made to resolve consumer complaints.
- 3. News releases and announcements are made to the public to report fraud to the Division's hotline. In addition, the Division provides investor education literature and other outreach to assist the public in becoming aware of ways to protect themselves against securities fraud and to make better financial investing decisions.

E. Identification of Important Program Relationships

Relationships are maintained with the United States Securities and Exchange Commission, National Association of Securities Dealers, securities divisions of the different states and provinces of Canada, the Office of Consumer Protection, Attorney General's Office, Department of Taxation, county prosecutors' offices, the International Association of Corporation Administrators, the North American Securities Administrator's Association, Inc., the Federal Bureau of Investigation and the Honolulu Police Department.

F. Description of Major External Trends Affecting the Program

The Division expects a decline in the number of business registration filings due to the general slowing the economy. The Division, however, has experienced and anticipates increased information requests as a result of the growing popularity, ease and availability of Internet communication through the Division's Internet portal, email and Live Chat.

Additionally, the Division expects to see drastic changes in the securities industry as a result of the ongoing volatility of the market and changes to the industry. Due to this situation, State securities registration filings are expected to decline as the industry contracts. By contrast, securities violation complaints to the Securities Enforcement Branch of the Division are expected to rise as the market sours and more people lose money from their investments. Securities fraud schemes are also likely to increase in complexity. In addition, securities violations against seniors are expected to rise as pensions, 401ks and other retirement money of the next generation of seniors begins to enter the market in an unprecedented volume. Many seniors, fearful over their dwindling retirement funds, may be more vulnerable to fraud and schemes by unscrupulous advisers and salespeople. The Division anticipates that the enforcement side of securities regulation will be busy. The Division also anticipates an active investor education program to help stop the fraud and loss before it happens. The Division expects to outreach to 30,000+ seniors and others about ways to protect themselves from fraudulent schemes.

The Division also expects dramatic changes in federal regulations in response to the current market problems. The Division cannot anticipate the federal regulatory impact on State regulation at this time and continues to monitor the situation closely.

G. Discussion of Cost, Effectiveness, and Program Size Data

See tables on projected measures of effectiveness, personnel requirements, and operating costs.

H. Discussion of Program Revenue

Revenues from business registration and securities registration fees are expected to be lower for next year due to the contracting economy and securities industry.

I. Summary of Analysis Performed

Pursuant to Act 158 SLH 2008, the Division has provided a separate report on the effectiveness and expenses of the Economic Cadre Program that trains teachers to advocate economics to students, teachers and schools throughout the State.

J. Further Considerations

To continue to offer the public the efficiency and cost-effectiveness of online services, the Division continues to look to improving the computer information system and the internal document processing procedures. The Division is in the process of redacting social securities numbers from its business registration databases and making other modifications to adapt to business and legal requirements.

REPORT P61-A

PROGRAM ID:

CCA112

PROGRAM STRUCTURE NO. 10010404

PROGRAM TITLE:

REGULATED INDUSTRIES COMPLAINTS OFFICE

_		IN DOLLAF	{S			IN THOU:	SANDS	
	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
	65.00* 3,950,211 543,914 21,275	65.00* 4,691,696 836,059	66.00* 4,961,607 698,009	66.00* 4,961,607 698,009	66.0* 4,962 698	66.0* 4,962 698	66.0* 4,962 698	66.0* 4,962 698
=	4,515,400	5,527,755	5,659,616	5,659,616	5,660	5,660	5,660	5,660
				ļ				
	65.00* 4,515,400	65.00* 5,527,755	66.00* 5,659,616	66.00* 5,659,616	66.0* 5,660	66.0* 5,660	66.0* 5,660	66.0* 5,660
	65.00* 4,515,400	65.00* 5,527,755	66.00* 5,659,616	66.00* 5.659.616	66.00* 5,660	66.00* 5.660	66.00* 5.660	66.00* 5,660
		65.00* 3,950,211 543,914 21,275 4,515,400	FY2007-08 FY2008-09 65.00* 65.00* 3,950,211 4,691,696 543,914 836,059 21,275 4,515,400 5,527,755 65.00* 65.00* 65.00* 65.00*	FY2007-08 FY2008-09 FY2009-10 65.00* 65.00* 66.00* 3,950,211 4,691,696 4,961,607 543,914 836,059 698,009 21,275 4,515,400 5,527,755 5,659,616	FY2007-08 FY2008-09 FY2009-10 FY2010-11 65.00* 65.00* 66.00* 66.00* 3,950,211 4,691,696 4,961,607 4,961,607 543,914 836,059 698,009 698,009 21,275 4,515,400 5,527,755 5,659,616 5,659,616 65.00* 65.00* 66.00* 66.00* 4,515,400 5,527,755 5,659,616 5,659,616	FY2007-08 FY2008-09 FY2009-10 FY2010-11 FY2011-12 65.00* 65.00* 66.00* 66.00* 66.00* 3,950,211 4,691,696 4,961,607 4,962 543,914 836,059 698,009 698,009 698 21,275 4,515,400 5,527,755 5,659,616 5,659,616 5,660 4,515,400 5,527,755 5,659,616 5,659,616 5,660 65.00* 65.00* 66.00* 66.00* 5,660 65.00* 65.00* 66.00* 66.00* 66.00*	FY2007-08 FY2008-09 FY2009-10 FY2010-11 FY2011-12 FY2012-13 65.00* 65.00* 66.00* 66.00* 66.0* 66.0* 66.0* 3,950,211 4,691,696 4,961,607 4,962 4,962 4,962 543,914 836,059 698,009 698,009 698 698 698 21,275 4,515,400 5,527,755 5,659,616 5,659,616 5,660 5,660 4,515,400 5,527,755 5,659,616 5,659,616 5,660 5,660 4,515,400 5,527,755 5,659,616 5,659,616 5,660 5,660 65.00* 65.00* 66.00* 66.00* 66.00* 66.00* 66.00*	FY2007-08 FY2008-09 FY2009-10 FY2010-11 FY2011-12 FY2012-13 FY2013-14 65.00* 65.00* 66.00* 66.00* 66.00* 66.0* 66.0* 66.0* 66.0* 3,950,211 4,691,696 4,961,607 4,961,607 4,962 4,962 4,962 543,914 836,059 698,009 698,009 698 698 698 698 21,275 4,515,400 5,527,755 5,659,616 5,659,616 5,660 5,660 5,660 65.00* 65.00* 66.00* 66.00* 66.00* 66.

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:
CCA112
10010404
REGULATED INDUSTRIES COMPLAINTS OFFICE

	FY	FY	FY	FY	FY	FY	FY	FY
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. #CONSUMERS DIRECTLY AFFECTED BY RICO ACTIONS (000) 2. #BUSINESSES DIRECTLY AFFECTED BY INVESTIGATIONS 3. DOLLAR AMOUNT OF FINES ASSESSED	98	100	100	100	100	100	100	100
	2619	2000	2000	2000	2000	2000	2000	2000
	1543000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
PROGRAM TARGET GROUPS 1. DE FACTO POPULATION IN HAWAII (000) 2. LICENSEES (000) 3. BOARDS & COMMISSIONS ADMIN ASSIGNED TO DCCA	1406	1421	1435	1449	1464	1478	1493	1508
	126	126	267	267	267	267	267	267
	45	45	45	45	45	45	45	45
PROGRAM ACTIVITIES 1. #INQUIRIES RECEIVED BY RICO 2. #COMPLAINTS RECEIVED 3. #LEGAL ACTIONS 4. #COMPLAINT HISTORY INQUIRIES RECEIVED BY RICO 5. #PERSONS REACHED THROUGH EDUCATIONAL EFFORTS 6. #ASSISTS ON DEPT/NON-RICO MATTERS BY NI OFFICES	14070 3670 415 60473 77165 8108	15000 3700 300 60000 85000 8250	15000 3800 300 65000 85000 8500	15000 3800 300 65000 85000	15000 3800 300 65000 85000 8500	15000 3800 300 65000 85000	15000 3800 300 65000 85000	15000 3800 300 65000 85000 8500
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES TOTAL PROGRAM REVENUES	311	200	200	200	200	200	200	200
	4,112	5,110	4,110	5,110	4,610	5,210	4,610	4,610
	252	300	300	350	400	400	400	400
	4,675	5,610	4,610	5,660	5,210	5,810	5,210	5,210
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) SPECIAL FUNDS ALL OTHER FUNDS TOTAL PROGRAM REVENUES	4,670	5,600	4,600	5,650	5,200	5,800	5,200	5,200
	5	10	10	10	10	10	10	10
	4,675	5,610	4,610	5,660	5,210	5,810	5,210	5,210

To assist the general public by providing consumer education outreach activities, investigating complaints from the public and enforcing the licensing laws.

B. Description of Request and Compliance with §37-68(1)(A)(B)

- 1. MOF B. Transfer \$138,050 in FY 10 and \$138,050 in FY 11 from other current expenses to personal services for cost of estimated fringe benefits.
- 2. MOF B. Trade-off/Transfer-in 1.00 permanent position count, 1.00 temporary position count, and \$53,424 in FY 10 and FY 11 from CCA 111 and adds \$76,012 in FY 10 and FY 11 to fund two Investigator positions.

C. Description of Activities Performed

To meet its objective, the Division performs the following functions:

- 1. Intake, investigate, resolve and civilly or administratively prosecute complaints involving professional and vocational licensing law violations.
- 2. Information and referrals, complaints history dissemination, consumer and industry education through brochures, presentations at various physical locations manned statewide and through other participatory functions.
- 3. Administration of the State Certified Arbitration Program, also known as the state lemon law program.

D. Statement of Key Policies Pursued

The Division seeks to implement the State Plan for Individual Rights by providing better protection of consumers' rights and interests through education and resolution of complaints on a timely basis.

E. <u>Identification of Important Program Relationships</u>

The Division assists and maintains contacts with compatible programs in the Departments of Agriculture, Attorney General, Health, Land and Natural Resources, Transportation, Labor and Industrial Relations, State Tax Office, and other agencies of state government.

F. Description of Major External Trends Affecting the Program

Major external trends including national and local trends regarding industry practices, consumerism, and economics affect the program.

G. Discussion of Cost, Effectiveness, and Program Size Data

In response to increased demand for services, the Division has, over the course of the past several years, made efforts to increase staffing, including this year. The program's revenue structure requires that there be a sufficient fund balance each fiscal year, for carryover purposes. New regulatory programs enacted by the legislature and assigned to the program, as well as general increases in personnel costs and costs for products and services, could increase expenditures, which the budget does not take into account.

H. Discussion of Program Revenue

The vast majority of program revenues are derived from compliance resolution fees paid by licensees. These revenues fluctuate, with higher revenues on odd-numbered years due to license renewal cycles. Revenue projections indicate that revenues in even-numbered years will not be sufficient to support program operations. To compensate for this fluctuation, it is important that the program maintain sufficient carryover balances each year to support operations during the even-numbered fiscal years. Without these balances, the program will be forced to further reduce expenditures related to its enforcement activities, or it must increase fees.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

REPORT P61-A

PROGRAM ID:

CCA191

PROGRAM STRUCTURE NO. 100105

PROGRAM TITLE:

GENERAL SUPPORT

		IN DOLLAF	ls			IN THOUS	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	45.00*	45.00*	45.00*	45.00*	45.0*	45.0*	45.0*	45.0*
PERSONAL SERVICES	3,520,155	4,141,980	4,346,765	4.346.765	4,347	4,347	4,347	4,347
OTHER CURRENT EXPENSES EQUIPMENT	1,337,196 149,381	1,537,896 236,970	1,537,896	1,537,896	1,538	1,538	1,538	1,538
TOTAL OPERATING COST	5,006,732	5,916,846	5,884,661	5,884,661	5,885	5,885	5,885	5,885

BY MEANS OF FINANCING								
	45.00*	45.00*	45.00*	45.00*	45.0*	45.0*	45.0*	45.0*
SPECIAL FUND	5,006,732	5,916,846	5,884,661	5,884,661	5,885	5,885	5,885	5,885
TOTAL POSITIONS	45.00*	45.00*	45.00*	45.00*	45.00*	45.00*	45.00*	45.00*
TOTAL PROGRAM COST	5,006,732	5,916,846	5,884,661	5,884,661	5.885	5.885	5.885	5,885

PROGRAM ID: CCA191
PROGRAM STRUCTURE: 100105
PROGRAM TITLE: GENERAL SUPPORT

	FY							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS								
 %CASES COMPL W/IN DESIG TIME FOR CONTSTD CASE HRGS %HRGS OFFCER REC ORDERS ADOPTED BY FINAL ADM AUTH %HRGS OFFR REC ORDRS ADDT FINAL ADM AUTH SUSTAIN %CASES RESLVD BY HRGS OFF BEFORE END OF HRG PROC %COMPLAINTS/INQ RESPONDED TO IN TIMELY MANNER %LEG HRGS TO WHICH TIMELY WRITTN TESTMNY SUBMTTD %REQUESTS FOR SYSTEMS ADDTNS OR ENHANCE FULFILLED INFORMATION SYS WORK REQ COMPLTED IN REQ'D TIME 	79	85	85	85	85	85	85	85
	93	90	90	90	90	90	90	90
	86	90	90	90	90	90	90	90
	37	35	35	35	35	35	35	35
	99	95	95	95	95	95	95	95
	95	95	95	95	95	95	95	95
	60	60	70	70	70	70	70	70
	85	86	86	86	86	86	86	86
PROGRAM TARGET GROUPS								
 DE FACTO POPULATION IN HAWAII (000) LICENSEES (000) DCCA DIVISIONS BOARDS & COMMISSIONS ADMIN ASSIGNED TO DCCA DCCA EMPLOYEES 	1406	1421	1435	1449	1464	1478	1493	1508
	354	370	372	382	394	405	405	405
	12	12	12	12	12	12	12	12
	49	49	50	50	50	50	50	50
	384	393	384	384	384	384	384	384
PROGRAM ACTIVITIES								
1. # WRITTN NOTICES ISS BY HRGS OFF RE: PROCED EVENTS 2. # PRE-HRG EVENTS BY HRG OFF INVOLVG THE PARTIES 3. # HEARINGS CONDUCTED BY HEARINGS OFFICERS 4. # RECOMMENDED & FINAL ORDERS ISS BY HRGS OFFICERS 5. # INFO PRESENTNS TO PUBLIC FOR EDUC GUIDANCE 6. # SYSTEMS ADDED OR ENHANCED 7. # OF INFORMATION SYSTEMS WORK REQUESTS	399	450	450	450	450	450	450	450
	272	300	300	300	300	300	300	300
	118	250	250	250	250	250	250	250
	156	225	225	225	225	225	225	225
	38	24	24	24	24	24	24	24
	133	130	150	160	160	160	160	160
	4162	4380	4200	4200	4200	4200	4200	4200
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES	82	39	39	39	39	39	39	39
	596	414	413	413	413	413	413	413
TOTAL PROGRAM REVENUES	678	453	452	452	452	452	452	452
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS SPECIAL FUNDS	8	5	5	5	5	5	5	5
	670	448	447	447	447	447	447	447
TOTAL PROGRAM REVENUES	678	453	452	452	452	452	452	452

To uphold fairness and public confidence in the marketplace, promote sound consumer practices, and increase knowledge, opportunity, and justice in our community by enhancing program effectiveness and efficiency.

B. Description of Request and Compliance with §37-68(1)(A)(B)

Director's Office and Administrative Services Office.

1. MOF B. Add \$69,783 in FY 10, and \$69,783 in FY 11 for estimated fringe benefits.

Office of Administrative Hearings.

1. MOF B. Add \$31,498 in FY 10, and \$31,498 in FY 11 for estimated fringe benefits.

Information Systems Office/Communications Office.

1. MOF B. Add \$31,690 in FY 10, and \$31,690 in FY 11 for estimated fringe benefits.

C. <u>Description of Activities Performed</u>

To meet its objective, the Administrative Division is organized into four divisions: Director's Office (DO), Administrative Services Office (ASO), Information Systems Office/Communications Office (ISCO), and the Office of Administrative Hearings (OAH).

- 1. <u>DO</u>. Provides: (1) general policy and administrative leadership, supervision and coordination of the various programs of the Department; (2) assistance in the direction and supervision of operating divisions; and (3) centralized personnel management and organizational analysis support services to operating divisions.
- 2. <u>ASO</u>. Provides all divisions of DCCA with: (1) centralized budgeting and accounting services; (2) centralized clerical services; (3) building management; and (4) other administrative support services.

- 3. <u>ISCO</u>. Provides all divisions of DCCA with: 1) services to find, acquire, implement and maintain information technology; (2) support for telephone systems, through DAGS-ICSD and the State's telephone service providers, for additions, changes and problems to telephone services. This work includes the maintenance of phone directories for internal and external use; 3) services to enhance and update DCCA's web site; and 4) support for Information Line, an audio-response, fax-on-demand, computer driven system that contains pre-recorded DCCA contact information, consumer information, consumer alerts, and forms.
- 4. <u>OAH</u>. Provides: (1) specialized staff support to all divisions, as well as attached boards/commissions, by conducting pre-hearing conferences and formal hearings to resolve business disputes through impartial and informed treatment of consumer complaints; (2) recommended decisions based on written findings of fact and conclusions of law; (3) due process hearings for the Department of Education that arise under the Individuals with Disabilities Education Act; (4) contested cases hearings for the Condominium Dispute Resolution Pilot Program and the Condominium Management Dispute Resolution Process Pilot Program; and (5) administrative hearings of appeals relating to the administration of the State's Procurement Code and for the Employer-Union Health Benefits Trust Fund. In addition, administers (1) the Medical Claims Conciliation Panel; and (2) the Design Claims Conciliation Panel.

D. Statement of Key Policies Pursued

The program implements the State Plan for Individual Rights:

1. <u>DO</u>. Provides support services in the implementation of the State Plan for Individual Rights, Sociocultural Advancement – government, and Fiscal Management – government by examining policies and procedures to improve the efficiency and effectiveness of the administrative processes as well as to improve the quality of programmed services provided.

- 2. <u>ASO</u>. Provides budget, accounting, cashiering, clerical, building maintenance, and administrative support services for each of the divisions.
- 3. <u>ISCO.</u> 1) Strives to improve the efficiency of divisions' operations and therein provide faster and lower cost service to commerce and consumers; 2) strives to make all public information readily available, up-to-date, and in formats, and at hours of the day and week that are convenient to commerce and consumers; and 3) strives to protect information from malicious or fraudulent tampering or inappropriate release.
- 4. <u>OAH</u>. Provides a fair, simple, and speedy adjudication of contested cases by conducting administrative hearings. The administrative review of determinations will provide a basis for informed and correct administrative action to protect individual rights against arbitrariness, whim and unreasonableness.

E. Identification of Important Program Relationships

The OAH assists and maintains contacts with compatible programs in the Department of Agriculture, Attorney General, Health, Land and Natural Resources, Transportation, and other agencies of the State government. ISCO assists and maintains contact with compatible programs in the Department of Accounting and General Services.

F. Description of Major External Trends Affecting the Program

The program is affected by major external trends as they affect the other programs within the Department.

Public awareness of consumerism continues to affect the number of complaints processed by the OAH. Public interest in having governmental services on-line affects the volume of work performed by ISCO.

G. Discussion of Cost, Effectiveness, and Program Size Data

The Director of Commerce and Consumer Affairs is responsible for the effective administration of all departmental programs. In order to enable these programs to function efficiently, the Director provides adequate resources and management services to ensure efficient and effective utilization of manpower and expenditures.

The current program organization and activities are subject to change depending upon the amount and quality of centralized administrative support services and specific supportive services required for effective coordination of resources and objectives of the departmental program. Any increase in the number of programs or activities placed in the Department by legislative action will cause a proportionate increase in the administration and management of resources available, program planning, accounting and disbursement of general, special, and capital improvement monies, as well as personnel services, centralized mail processing, records reproduction services and other centralized administrative support services provided.

H. Discussion of Program Revenue

Estimation of program revenues is based on past collections and future estimates of the licensee population.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.